Bank Managers' Perception of Ethical and Legal Conduct in Emerging Markets During the Post-Crises Period: Evidence From Turkish Banking Sector

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Abstract

The objective of the study was to identify the main ethical dilemmas facing the banking managers; to assess the ethicality of some banking practices as perceived by top managers; to determine the effects of the demographic and institutional dimensions on bank managers' ethical judgments; to check the overlap and divergence of the authentic norms and banking or criminal law and State Security Court pleas. The findings refute the idea that the banking community has authentic norms or a free space for intentions and interpretations conflicting with the law and indicate that the Turkish bank managers are on the higher end of the ethics scale.

Key Words: *Business Ethics, Banking Sector, Turkey*

JEL Classification: *G01, G02, G18*

Özet - Yükselen Piyasalarda Kriz Sonrası Banka Yöneticilerinin Etik ve Yasal Davranış Algılamaları: Türk Bankacılık Sektörü Örneği

Çalışmanın amacı, üst düzey banka yöneticilerinin sektörde etik dilema olarak algıladıkları konuları saptamak; yöneticilerin bu konulardaki tutumlarını belirlemek; tutum farklılıkları ile demografik ve yapısal özelliklerin ile etkileşimini analiz etmek; etik dilema olarak belirlenen konularda otantik normlar ile Bankalar kanunu, Türk Ceza Kanunu ve Devlet Güvenlik Mahkemeleri iddianamelerinin örtüşme noktalarını saptamaktır. Ampirik bulgular, Türk bankacılık sektöründe üst düzey yöneticilerin kendilerine özgü geliştirdikleri ve yoruma açık otantik normların, mevcut kanunlarla çelişmediğini ve yöneticiler etik skalasının etik tarafında kümelendiğini göstermektedir.

Anahtar Kelimeler: *İş Etiği, Bankacılık Sektörü, Türkiye*

JEL Sınıflaması: *G01, G02, G18*

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1. Introduction

The global financial markets have become closely integrated, increasing the possibilities of a widespread cross-border contagious crisis in the global financial system. In the last thirty years, more than 113 systemic banking crises took place in 93 countries (Caprio and Klingebiel, 1997, 1999). The occurrence of these crises have become more frequent and severe in both emerging market and developed countries[1]. Beim (2001) identifies the pace of the pre-crisis period in two phases; the first or 'silent phase' and the 'critical phase'. The two-phase structure arises because governments typically prepare the background of the financially weak environment and protect banks by guaranteeing their deposits, often by concealing the depth of their problem loans. Consequently, banks make a great many bad loans due to the exploitation of banks by both government and private owners. So the share of the non-performing loans (NPLs) increases while capital base deteriorates in their balance sheets. In the critical stage, it is publicly acknowledged that the banks are insolvent and governments step in to deal with the crises immediately. The scale of the intervention cover policies like liquidating, closing or merging, promoting consolidation, and injecting public money as capital into the troubled banks to strengthen their capital structure. However the cost of intervention has been usually very high in terms of output lost and to taxpayers. The latest International Monetary Fund (IMF) estimates regarding total cost of the recent financial crisis from liquidity and capital injections, debt guarantees, toxic assets absorption, deposit insurance and asset purchase is over $14 trillion, almost a quarter of global GDP.

So the question arises, why does the first phase ever give way to the second? What finally triggers the crisis? Beim (2001) argues that any one of four agents can trigger the crisis: depositors, government, external lenders and intergovernmental financial institutions due to their role as a supplier of bank funding. The recent bank and financial institution scandals have confirmed once more that the business of banking depends as much on trust and reputation as on

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[1] Argentine 1980-1982, 1989-1990,1995.2001-2002; Brazil 1990,1994-1999; Chile 1981- 1987; Colombie 1982-1985, 1999-2000; India 1991-1994; Indonesia 1992-1995,1997-2002; Israel 1983-1984; Jordan 1989-1990; Korea 1997-2002; Lebanon 1988-1990; Malaysia 1985-1988, 1997-2001; Mexico 1982, 1994-1997; Paraguay, 1995-1998; Philippines 1981-1987,1998-2002; Portugal 1986-1989; Russia, 1998; South Africa 1985; Sweden, 1990s; Thailand 1983-1987,1997-2002; Turkey, 1982, 1991,1994, 2000 -2001; Peru 1983-1990; Venezuela 1993-1997 (Demirguç-Kunt and Detragiache, 2005).

performance (Brickley et al., 2002; Chami & Fullenkamp, 2002). When a bank is involved in fraud, money laundering or any other illegal or improper activity, this may threaten the reputation not only of the bank concerned but also of the whole banking system. So the vulnerability dimension of trust is very dominant between the customer and the bank as well as between the bank managers and the bank shareholders and the bank managers and regulatory bodies. The main concern of regulators is to promote "proper standards of conduct" and "sound and prudent business practices" by suppressing "illegal, dishonorable or improper practices". The legal system should also backup the implementation of proper standards of conduct.

When the laws are short in creating the right financial incentives, or when the laws regulating the banks are not adequate "...our market behavior must be ethics-based as well as rules-based" (Ackerman, 2002; Bear and Bear, 2002). "Legality and morality, illegality and immorality simply cannot be made to completely coincide." (Yeager, 2001) thus allowing a gap for moral free space to shape the distinctive concepts of economic fairness in a community. The authentic norms (common values, beliefs, traditions and ethical norms) may or may not overlap with the legal system. Likewise, these norms may or may not overlap with the hyper norms of the global banking industry. "... standards for what constitutes ethical behavior lie in a 'gray zone' where clear-cut right versus wrong answers may not always exist. These norms would be considered legitimate to the extent that they overlap with the hyper norms reflected in religious, political and philosophical thoughts (Donaldson and Dunfee, 2002). As a result, there may be cases where unethical behavior is forced on organizations by the environment in which they exist (Sims, 1992). Counter norms developed by the organizational reward system may lead to organizational practices that are contrary to the ethical standards of organizational stakeholders (Jansen and Glinow, 1985). Banks may be operating within a world that dictates its own set of accepted rules. At this point, moral space and ethicality enter the decision making process for top managers.

Ethicality and legality in banking transactions was one of the hottest issues in the Turkish business environment during the "restructuring period of the banking sector". Structural problems and fragilities were more prominent in the banking sector, resulting in systemic banking crises in the 1990s and early 2000s. Twenty-two banks were taken over by the Savings Deposits Insurance Fund (SDIF) between the years 1997- 2003. The adverse situation aggravated during the last quarter of 2000 and 2001 was largely due to the highly volatile regulatory environment. Major shareholders and top managers were called to the State Security Court[2] (SSC). During the years 1999 and 2003, bank owners, members of the executive board and top managers of the banks taken over by SDIF were charged with exercising potentially harmful practices, causing bank losses, and not protecting the rights and interests of depositors. People in banking were accused of violating Turkish Criminal Law and Turkish Banking Law.

This experience of an emerging economy with a troubled past in the crisis, the large number of banks and banking people prosecuted provokes further challenging questions: Does a 'moral space' that shapes the "distinctive concepts of economic fairness" exist in the Turkish banking sector? Has the banking community developed authentic norms within the limits of their moral free space? Are there unwritten "laws" in the Turkish banking community that correspond to the authentic norms of Donaldson and Dunfee (1994 and 2002)? Was the wording of the related articles open to interpretation? What was the extent of the overlap and divergence of the illegal and the unethical? Did the banking law lag behind the demands of business or were some banking practices not covered at all? Did the turbulent banking environment incite that the owners and the managers of these banks to be unethical people?

The objective of this study is to (1) identify the main ethical dilemmas facing the banking managers; (2) assess ethicality of some banking practices as perceived by top managers; (3) compare and contrast the pleas of SSC with the ethics perception of bank managers; (4) check the overlap and divergence of the authentic norms and the banking law or the criminal law; (5) determine the effect of demographic and institutional dimensions on bank managers' ethical judgments. This study aims to provide insight for the banking community, supervisory agents and the courts in emerging markets as well as developed ones when the rules of finance are restructured in the global regulatory environment. Most of the empirical studies on banking regulation analyze the relation between

[2] State Security Court (SSC) was highest order court specialized in the cases related to activities against the unity of country and was demolished in the harmonization process of EU in 2004.

bank performance and regulatory structure. Therefore, it would be of academic interest to determine the gray areas where authentic norms appear in decision making, when the existing banking laws are not explicit or not internalized at the stage of crisis prevention. In addition, the unique scenarios developed for the study are expected to contribute to the enhancement of the relatively shallow bank ethics and regulation literature.

In the second section, the legal and economic characteristics of the Turkish Banking Sector are summarized. In the third section, the methodology is discussed. The results and analyses are presented in the fourth section. Concluding remarks are given in the last section.

2. Legal and Economic Characteristics of the Turkish Banking Sector

The developments in Turkish banking system can be analyzed in the context of Beim's (2001) two-phase structure as 'silent phase' and 'critical phase'. In the silent phase during the 1990s, governments prepared the background of the financially weak environment by introducing full guaranty on deposits after the crisis of 1994 which distorted the competitive environment. In addition, the banking system was the main channel for domestic borrowing for the governments. The government relied heavily on the banking system to finance huge budget deficits while the banking system was realizing high profits from the government securities portfolio in their assets. It was a win-win game for both sides. Moreover, the banking lobbies and the network between the politicians and bankers structured the regulatory environment. Banking licenses were granted to the businessman in the political network and later they used banks as a funding mechanism for their group companies and even for their shell companies. On the public side, public banks distributed credits often on non-economic criteria and incurred high duty-losses financed by the Treasury (Alper and Onis, 2003; Cesmeci and Onder, 2008). Not surprisingly, bad loan problems accumulated and the share of the NPLs increases in their balance sheets destroyed the banks' capital base. The Turkish experience fit very well into the context of Beim's (2001) argument in explaining the role of four agents, *depositors, government, external lenders* and *intergovernmental financial institutions* in triggering the crisis.

The sequence of events started to become unveiled when the agenda of the IMF-supported economic program was delayed and the second phase of Beim

(2001), the critical stage started. In the last quarter of 2000, the Banking Regulation and Supervision Agency of Turkey (BRSA) became active with the new Banking Law and exhibited a prosecutive attitude in the implementation of the New Banking Law instead of conducting prudent interventions to rehabilitate the banking system. The lack of confidence in and credibility of government, speculative attacks and high fluctuations in the Turkish Lira (TL) resulted in large capital outflows during this period, depleting the international reserves at the Central Bank. The tension in the economy and politics at the beginning of 2001 forced the pre-determined exchange rate system to be abandoned. Subsequently the Turkish Lira was devalued by 40% in February 2001 (Akyurek, 2006). In May 2001, the government adopted a new program called "Transition to a Strong Economy" based on transparency and free market principles.

Although these crises affected the entire financial system, structural problems and fragilities were more prominent in the banking sector. During the years 1999 to 2003, major shareholders, members of the executive board and top managers of the banks taken over by the SDIF were charged for exercising potentially harmful practices, causing bank losses, and not protecting the rights and interests of depositors. In the pleas of the SSC it states "Banks are institutions of trust (...) a very small portion of a bank's resources is made of the major shareholder's capital. Bank's money and the major shareholder's money are different things" (Indictment of SSC No. 2001/868). When bank owners and top managers make decisions in their own interests instead of their banks, they become personally liable. The SDIF brought actions against top managers. Sixty eight individual bankruptcy lawsuits were filed pursuant to Article 17 of the Banks Act Nr.4389[3] against the ex-managers and majority shareholders of the banks transferred to the SDIF (BRSA, 2002). The number of lawsuits filed against managers and major shareholders of the taken-over banks exceeded 500. In most of these cases bankers claim their actions were not contrary to Turkish Laws. Some of the trials

[3] Personal Liability: If it is determined that the chairman and the members of the board of directors and the credit committee of a bank, or its general manager and assistant general managers, or its authorized signatory officers have caused the bankruptcy of the bank through their decisions and actions which infringe applicable laws then, on the basis of a decision of the Board and upon the request of the Fund, such person shall be held personally liable to the extent of the damage they have caused to the bank and a court may declare any such person bankrupt. Where any such decision or act have been made or taken in order to provide benefits to any shareholder or a group of shareholders controlling the bank individually or jointly, whether directly or indirectly, the provisions of the first paragraph above shall also be applied to such shareholder or group of shareholders to the extent of the benefits obtained.

still continue.

The accusations of the public prosecutors can be grouped under five general headings: *offshore banking, fiduciary loans, lending to connected parties, loans to fake companies* and *back-to-back lending*. For instance, offshore banking is perfectly legal and an important part of the international financial system. However, offshore banking was presented as a means of banking crime by the public prosecutors during the banking crisis of 2000 in Turkey and the public perceived this banking transaction as money laundering or illegal capital outflow from the country. In reality, offshore banking means maintaining a bank account in a foreign branch of a domestic bank in order to obtain better financial benefits than the domestic bank can offer. Customers prefer this because interest rates are higher for deposits or lower for loans and the return is tax free. Banks or financial institutions prefer this because they can escape close monitoring by the regulatory authorities and tax obligations on reserve requirements. Consequently, offshore banking has been an increasingly attractive alternative to the heavily regulated financial markets of emerging economies. During the pre-crisis period, bank owners of some private banks provided capital to establish an offshore branch in the name of their employees and asked branch managers to collect deposits for the offshore branches. The implicit intention of these bank owners was to transfer collected deposits as loans for their commercial companies or secret private bank accounts abroad. In such cases offshore banking becomes an illegal transaction. In addition, some managers engaged in collecting deposits for the offshore branches without mentioning that deposits are not insured by the Deposit and Insurance Fund or forged the signatures of customers and transferred their deposits to the off-shore branches.

Regular interbank transactions force varying degrees of fiduciary responsibility on the banks. For instance, a domestic bank opens a savings account in an overseas bank and the overseas bank provides a loan (the same amount as the savings account and the same maturity) to the major shareholder of the bank by taking his bank's time deposit as collateral. In return, the overseas bank gets commission from the transaction. When the major shareholder's bank does not show the collateral on its records, this transaction becomes illegitimate. Bank owners or managers have incentives to provide loans as they expect to receive private benefits. This return could be in the form of maintaining other business transactions with the debtors or providing additional loans to the major shareholders when they exhaust credit limit up to the legal limits. When the major shareholder requests a commercial company to apply to his bank for credit and later transfers the credit to his account at a pre-determined commission, it is called "connected lending". Or the major shareholder can establish fake trading companies and borrows from his own bank in the name of the fake company. This is then called "shell company lending". Bypassing the legal limits of credits can be realized by two bank owners simultaneously, which is called "back-to-back lending". Each bank owner provides loans to the other from their own banks with the same interest rates and durations within the framework of banking laws. The additional loans can be allocated in the major shareholders' privately owned companies in other sectors or transferred to their secret accounts abroad. Concisely asymmetric information plays an important role in misallocation of funds for personal use in the cases of the public prosecutors. Poor banking supervision as well as bank bail-out policies facilitate these types of lending practices via connections and help to create an environment where the borderline between legitimate and illegitimate becomes ambiguous. Therefore, it would be useful to determine the gray areas where authentic norms appear in decision making, when the existing banking laws are not explicit or not internalized at the stage of crisis prevention. Because the perception and conduct of top managers is very important in promoting proper standards in the banking system by suppressing illegal, dishonorable and improper practices.

3. Methodology, Findings and Discussion

The study was generated in a two-stage process. At the pilot stage, "The Ethical Dilemma Questionnaire" (EDQ) was conducted to identify situations that might be perceived as unethical in the banking community in the aftermath of the introduction of the "banking restructuring" program by the BRSA. Areas of perceived moral intensity (gray areas) were derived from the responses to the EDQ. Twenty-two hypothetical scenarios that "describe possible misconduct" (Dawson 1997) were developed based on three sources: the pilot study findings; in-depth interviews; the analysis of the pleas of public prosecutor of the SSC (Appendix 1). At the second stage, a self administered survey "The Ethical

Judgment Questionnaire" (EJQ) was mailed to all the top 554 managers (the board members, general managers and assistant general managers) of all 53 banks in Turkey in 2004. The survey instrument is a questionnaire consisting of one open ended, 26 short questions and twenty two scenarios. A six point Likert scale is used, ranging from unethical (1) to ethical (6), in the evaluation of the scenarios.

As a research tool, a self administered survey is preferred since ethics is a potentially sensitive topic and the Turkish banking sector was going through a very precarious period. The response rate is 29% which is acceptable for studies of this nature (Soutar et al., 1995) and Akaah et al (1989) indicate 30.7% response rate as encouraging. The sample of respondents can be considered representative of the population as will be seen in Table 1.

Table 1. Comparison of respondent versus population characteristics

		Sample (%)	Population (%)
Gender	Female	8	13
	Male	91	87
Bank Status	Public	11	10
	Private	51	47
	Foreign	12	17
	I&D	14	22
	SDIF	6	3
Size of the Bank	0-0,5	18	53
	0,5-1	14	10
	1-2	9	8
	2-5	18	16
	>5	32	14

In the population, 481 of the top bank managers are male (87%) and only 73 are female (13%). In the sample, gender is represented as 91% and 8%, respectively. The population consists of 3 public, 19 private, 15 foreign, 14 Investment & Development (I&D) and 2 SDIF banks whereas in the sample the banks are distributed according to the legal status as 11% public, 51% private, 12% foreign, 14% I&D and 6% SDIF. Size of the total assets is used as a surrogate for bank size. The large banks constitute 14%, medium scale 24% and small scale 53% in the population. However in the sample large banks are represented with 32%, medium scale with 27% and small scale banks with 18%.

An ethics score reflecting ethical sensitivity is calculated separately for each bank manager by taking the average of each respondent's scores on all scenarios. An ethical score of 1.0 represents a very ethical manager whereas a score of 6.0 represents a very unethical manager. The scores in the sample range from 1.0 to a maximum 4.54. The mean ethics score of the sample is 2.03, indicating that the banking is an industry closer to the high ethical side of scale.

Twenty-two scenarios are factor analyzed using Principal-Components Analysis with Varimax Rotation with Kaiser Normalization to condense the scenarios (Appendix 2). For analysis scenarios with eigen-values greater than one are taken. Twenty-two scenarios condense in eight factors and explain 65.16% of the total variance (Table 2). The factors are defined on the basis of highest loaded items and each factor represents a unique dimension in ethical sensitivity. The scenarios with a loading below 0.5 are not associated with any appropriate factor and they were treated as independent scenarios. The reliability of the factors was further assessed by the Cronbach coefficient alpha. The reliabilities[i] were consistently high pertaining to all dimensions of factors.

Table 2. Eight Factors & Five Independent Scenarios

Scenarios	Factors	SSC Indictments	Banking Law Nr.4389	Mean	Std. Dev
8a, 8b, 10	F-1 Offshore banking*	covered		1.94	1.10
1, 17, 11, 13	F-2 Information misuse& theft*	covered		1.81	0.87
6b, 6a, 6c	F-3 Lending to connected parties*	covered		2.00	1.28
4a, 12b, 4b	F-4 Bypassing legal restrictions*	covered		1.12	0.40
19b, 19a, 21	F-5 Bribery		covered	1.33	0.68
16, 18, 15, 7, 3	F-6 Subjective Decision Making			2.86	0.98
12a	F-7 Implied pressure			3.19	2.05
5	F-8 Spreading negative information		covered	2.30	1.55
9	I-1 Refraining from sharing the unfavorable information*	covered		1.37	0.95
20	I-2 Money laundering		covered	2.29	1.49
2	I-3 Back-to-Back			1.68	1.35
22	I-4 Environmental protection			1.95	1.41
14	I-5 Price setting by the Headquarter			3.82	1.89

When lawsuits against the owners and managers are compared against the ethical dilemmas, the findings do not indicate a divergence between unethical as perceived by managers and illegal as defined in Turkish Laws. These findings do not support the idea that the banking community had authentic norms or a free space for intentions and interpretations. The scenarios related to the lawsuits discussed in the second section are all rated as unethical. The law suits can be summarized as "bypassing legal restrictions", "not sharing unfavorable information", "back-to-back credits", "information misuse & theft", "lending to connected parties" and "offshore". When the scenarios related to these issues are analyzed, the managers are observed to rate these issues as highly unethical. The other scenarios ("bribery", "spreading negative information", and "money laundering") which are not covered in SSC indictments but are illegal according to the Banking Law Nr.4389 are rated to be less unethical than the SSC issues. Top managers are least sensitive to dilemmas regarding subjective decision making, power pressure and price setting by headquarters which are issues related to the hierarchical authority of the top manager. These decisions may be perceived to be within the domain of top managerial authority. One issue "environmental protection" is unique for being rated as highly unethical although it is not covered in SSC indictments or in the Banking Law Nr.4389.

Later these factors are analyzed by t-test and ANOVA to identify any relationship between demographic variables and the ethical judgment scenarios. The demographic characteristics of the respondents are identified as gender, age, marital status, number of children, age of children, educational background, sector currently working in, experience in the banking sector, experience in the current bank, number of banks worked in and the position in the bank (Table 3).

Table 3. Ethical Sensitivity and Demographic Characteristics

Variable	Factor	N	Mean	SD	T	p
Gender	Subjective Decision Making*					
	Female	12	3.50	1.195	2.383	0.018
	Male	142	2.80	0.954		
Age	Offshore					
	30-39	34	2.30	1.167	3.304	0.022
	40-49	62	2.01	1.134		
	50-59	43	1.54	0.773		
	60 and above	15	1.91	1.394		
	Subjective decision making				9.376	0.000
	30-39	35	3.27	1.060		
	40-49	60	3.08	0.883		
	50-59	43	2.37	0.856		
	60 and above	15	2.32	0.806		
	Money Laundering				3.626	0.015
	30-39	35	2.83	1.599		
	40-49	62	2.31	1.478		
	50-59	41	2.12	1.470		
	60 and above	16	1.44	0.814		
Being a parent	Information Misuse and Theft*				1.853	0.002
	Not parent	13	1.38	0.403		
	Parent	139	1.85	0.896		
Age of children	Subjective Decision Making (age of the first child)				6.038	0.01
	0-6 years	25	3.07	0.918		
	7-14 years	29	3.23	0.954		
	15-18 years	21	3.02	1.140		
	19 above	51	2.41	0.840		
	Subjective Decision Making (age of the second child)				5.420	0.02
	0-6 years	19	3.11	0.960		
	7-14 years	20	3.15	0.975		
	15-18 years	10	2.44	0.804		
	19 above	29	2.29	0.783		
Academic Major	Bribery*				3.044	0.031
	Engineering	11	1.91	1.375		
	Business Administration	77	1.31	0.604		
	Economics	34	1.23	0.345		
	Other	16	1.46	0.910		
	Money Laundering*				4.493	0.005
	Engineering	11	3.82	1.834		
	Business Administration	80	2.13	1.344		
	Economics	36	2.28	1.485		
	Other	17	2.53	1.625		
Tenure in banking	Subjective Decision Making*				4.447	0.005
	1-10 years	28	2.99	1.016		
	11-20 years	58	3.11	0.938		
	21-30 years	44	2.69	1.035		
	Above 30 years	19	2.26	0.740		
	Money Laundering*				4.350	0.006
	1-10 years	29	1.97	1.117		
	11-20 years	56	2.88	1.573		
	21-30 years	45	1.98	1.469		
	Above 30 years	20	2.05	1.504		
Position	Information misuse and theft*				3.673	0.028
	Member of the executive board	51	1.59	0.733		
	Assistant or general manager	83	1.87	0.900		
	Other	16	2.22	1.048		
	Subjective decision making**				7.819	0.001
	Member of the executive board	48	2.42	0.918		
	Assistant or general manager	87	3.06	0.914		
	Other	17	3.11	1.196		
	Not sharing the undesirable information***				3.341	0.038
	Member of the executive board	50	1.20	0.639		
	Assistant or general manager	88	1.38	0.875		
	Other	17	1.88	1.728		
	Money Laundering* ***				4.009	0.020
	Member of the executive board	49	1.86	1.323		
	Assistant or general manager	88	2.44	1.484		
	Other	17	2.88	1.728		

*T-Test statistically significant at 0.05 alpha level.

Levene's test (F=1.055, P=0.306)

The literature gives inconclusive results with respect to the impact of gender. Ekin and Tezölmez (1999) indicate that managers differ significantly at the 95% confidence level with respect to gender. Females are found to act more ethically in some situations (Akaah and Riordan, 1989; Chonko and Hunt, 1985; Ferrell and Skinner, 1988). On the other hand, gender has no impact on ethical beliefs in some other studies (Barnett and Karson, 1989; Browning and Zabriskie, 1983; Callan 1992; Fritzsche 1988; Hegarty and Sims 1979; Kidwell et al., 1987; Nyaw and Ng, 1994; Serwinek, 1992; Ergeneli and Arikan, 2002). In this study, the majority (92%) of the sample consist of male managers, which is a direct reflection of the gender distribution of the population (87% male). Except for factor six, "subjective decision making", no significant difference is identified in answers with respect to gender at the 95% confidence level. According to Levene's test, female respondents are less sensitive to subjective decision making. The banking sector is a men's world, the few female managers that survive among top male managers may be the ones that are ethically more tolerant of arbitrary decision making issues.

In ethics literature, older respondents are observed to be less tolerant of unethical behavior (Barnett and Karson, 1989; Harris, 1990; Longenecker et al., 1989; Serwinek, 1992; Ekin and Tezölmez, 1999). In the Conroy and Emerson (2004) study, "male and younger respondents appear to be more accepting of the ethically questionable vignettes". Some studies on the other hand indicate no significant difference between young and old managers (Callan, 1992; Kidwall et al., 1987) while Browning and Zabriskie (1983) state that younger purchasing managers have a more ethical view point. In the present study responses vary with scenarios. The managers above 50 years of age (39%) appear to be less tolerant of "offshore", "subjective decision making" and "money laundering" factors at the 0.05 significance level whereas no significant relationship is observed in relation to the other scenarios. As they get close to retirement stage, managers tend to take less risk or more experienced managers are more alert to loopholes in the system. With age and experience, individuals "become more sensitive to the harm that transcreation can do to the organization and its stakeholders. Experience may also increase facility in finding moral solutions to ethical problems" (Shinghapakdi et al., 1999).

The majority (91%) of the respondents are married and have one or more children. Marital status or the number children when taken separately indicate no significant relationship with ethical sensitivity of the respondent. However, being a parent is significantly correlated with the factor "information misuse and theft". Non-parents, though small in number, are less tolerant of insider trading and taking customer databases to their new bank. Being married and having children increases the financial burden on the parents which may facilitate moral risks. All being university graduates, they are expected to have higher aspirations for their family and may be more flexible towards actions that enhance their success. Insider trading and taking customer databases to their new bank helps managers to climb stairs faster. The families with first and/or second child below university age (59% and 63%, respectively) are less sensitive to the factor "subjective decision making". Respondents at this family life stage are more vulnerable to arbitrary decision making scenarios; however these scenarios are not in conflict with the law.

Bachelor and graduate degrees are found not to relate significantly to any of the factors or independent scenarios. In the sample, all the respondents have bachelor degrees, 37% having graduate degrees. Academic field on the other hand is found to be significant with the "bribery" factor and the independent scenario "money laundering". The majority have degrees in the field of business administration and economics (81%) whereas 8% are engineers and 5% have law backgrounds. The responding bank managers with engineering backgrounds are less sensitive to bribery and money laundering issues.

In business ethics literature, managers with longer tenure tend to be more ethical (Harris, 1990) whereas early career stage managers act in a less principled manner (Barnett and Karson, 1989). In the present study, 43% of the managers have been working in the banking sector for 20 years or more. Only 7% have been in the banking sector for 5 or fewer years. Managers working in the sector for 20 or more years are the most ethically sensitive group. However, the managers who have been in the banking sector for 30 or more years are the least tolerant group in terms of bank transactions. The managers who have been working in the banking sector for 11 to 20 years emerge as the least sensitive to the factors "subjective decision making" and "money laundering". They seem not to mind arbitrary decision making or to oversee money laundering intentions of the depositor. The majority of the respondents (40%) have been in their current bank for less than 6 years. Only 21% have been working in the current bank for more than 15 years. 31% of the respondents have not changed their work place. 22% have worked in four or more different banks. No systematic relationship is observed between respondents' experience in a different number of banks and their responses towards scenarios.

There are contradictory findings in the ethics literature concerning the relationship between organizational position and ethical stance. Delaney and Sockell (1992) state that lower level managers perceive greater need to be unethical to get ahead than upper level managers. Moreover, Mehta and Kau (1984) find that the higher the level of the executive in the organizational hierarchy, the more ethical the behavior. Kam-hon (1981) point out that middle level managers are less ethical than top. Posner and Schmidt (1987) conclude that as an employee's level in the organization increase, the employee's ethical beliefs decrease. On the other hand, Akaeh and Riordan (1989) and Izraeli (1988) find no relationship between organizational level and ethical behavior of the managers. In the present study, the position of the respondent in the bank is one of the variables that are significant in explaining a large number of the factors and scenarios: "information misuse and theft", "subjective decision making", "refraining from sharing undesirable information" and "money laundering". Among the respondents, 33% are executive board members or chairmen while 57% are general managers or assistant general managers of the banks. The respondents who are members of executive boards are more sensitive than general or assistant general managers in relation to the above factors and scenarios. Before the banking crisis, board members had high prestige and authority however responsibility was perceived to lay on the shoulders of the general managers. Lawsuits filed against board members during the crisis acted as warnings to the board members to be ethically and legally more cautious in the banking decisions. Thus, they may be "more cognizant of the negative impacts of fraud on both their own reputation and the firms' (Harris, 1990).

The main mechanisms for institutionalizing ethics can be listed as the code of ethics, ethics training programs, ethics committees, ethics audits, Judiciary Boards, and internal ethics ombudsmen (Souter et al., 1995). In the present study, the impact of three ethical dimensions (organizational, cognitive and affective) on the scenarios is analyzed in Table 4. Presence of in-house ethics training, code of ethics, and the date the code was issued are discussed under the organizational dimension. Cognitive dimension consists of two components: being knowledgeable of the Banks Association of Turkey's (BAT) ethical principles and perception of the ethical coverage of Bank Law Nr.4389. Affective dimension on the other hand, refers to the impact of BRSA on ethical values: the impact of the ethical stand of majority shareholders on the top managers and the extent of the overlap with managers' ethical values and the Bank's ethical values.

Table 4. Ethical Sensitivity and Institutional Characteristics

Variable	Factor	N	Mean	SD	T	p
Organizational Dimension						
Code of Ethics	Back-to-back lending*					
	Don't have a code of ethics	36	2.25	1.730	45.533	0.023
	Have a code of ethics	118	1.53	1.189		
In-house Ethics Training	Lending to connected parties*				3.200	0.026
	No in-house training	39	2.44	1.547		
	Only for new employee	44	2.05	1.331		
	Annual training	25	1.73	1.067		
	Other	29	1.54	0.823		
Cognitive Dimension						
Being Knowledgeable about the Ethical Code of BAT	Information misuse and theft*					
	No idea	9	2.47		4.020	0.020
	Some idea	41	1.93			
	Know it	100	1.70			
	Bribery*			0.935	5.777	0.004
	No idea	11	2.87	0.938		
	Some idea	39	3.33	1.197		
	Know it	99	2.58	0.988		
	Subjective Decision Making*					
	No idea	11	2.96	0.898	5.462	0.005
	Some idea	40	3.27	1.053		
	Know it	102	2.68	0.934		
	Spreading negative news*					
	No idea	11	2.73	2.195	3.172	0.045
	Some idea	41	2.71	1.647		
	Know it	105	2.07	1.368		
	Not sharing the undesirable information*					
	No idea	11	1.00	0.000	5.647	0.004
	Some idea	41	1.78	1.406		
	Know it	104	1.26	0.710		
Ethical Dilemma Coverage of Bank Law No. 4389	The price determination by Headquarter*					
	Not at all	19	2.79	1.960	3.570	0.031
	Partially	118	3.89	1.815		
	Fully	14	4.36	2.098		
Affective Dimension						
Impact of the BRSA on Ethical Values	Bribery*					
	No idea	29	1.68	1.177	10.013	0.002
	Some idea	121	1.25	0.459		
	Know it	150	1.33	0.677		
	Not sharing the undesirable information*					
	No idea	29	1.76	1.215	5.958	0.016
	Some idea	128	1.29	0.862		
	Know it	157	1.38	0.950		
	Back-to-back lending*					
	No idea	29	2.31	1.775	8.527	0.004
	Some idea	128	1.52	1.184		
	Know it	157	1.67	0.342		
Overlap of Bank's and Manager's Ethical Values	Information misuse and theft*				5.472	0.001
	No overlap	5	1.55	0.647		
	Some overlap	15	2.50	1.556		
	Mostly overlap	64	1.89	0.789		
	Fully overlap	65	1.57	0.651		
	Bribery*				4.143	0.008
	No overlap	5	1.00	0.000		
	Some overlap	16	1.67	1.061		
	Mostly overlap	64	1.45	0.747		
	Fully overlap	63	1.15	0.414		
	Subjective decision making*				3.336	0.021
	No overlap	5	1.68	0.540		
	Some overlap	15	2.53	1.146		
	Mostly overlap	66	2.94	0.836		
	Fully overlap	66	2.93	1.056		

*T-Test statistically significant at 0.05 alpha level.

Levene's test (F=1.055, P=0.306)

A code of ethics plays an important role in creating a corporate culture of openness and responsibility in the relations among stakeholders. A survey conducted in Turkey among 500 top companies by the Association of Young Turkish Businessmen (TUGIAD, 1992) indicate that some sort of business rules and regulations covering ethical principles exist in 52% of the companies. According to another study, 44% of domestic companies and 51% of multinational business companies in Turkey have a written code of ethics (Ekin and Tezölmez, 1999). A research conducted by The Turkish Ethical Values Foundation (TEDMER, 2002) finds that 66% of the Turkish workforce to have written or verbal ethics standards. It is hypothesized that banking managers working in banks with a code of ethics will reflect more sensitivity in scenario evaluations. On the other hand, there are mixed research results in the literature. Murphy et al (1992) finds a weak relationship between the existence of codes of ethics and ethical behavior of top managers. In this survey it is found that the 77% of the banks in the Turkish banking sector possess a written code of ethics. Of these codes 7% were prepared in 2003, 15% in 2002, 33% in 2001 and 17% before 2000 which may indicate that the November 2001 dated code of ethics of the Banks Association of Turkey has an encouraging impact on banks to develop their own codes.

In the present study, a statistically significant difference at the 0.05 significance level is observed between the answers given to the “back-to-back credit” dilemma by the respondents from banks with and without code of ethics. The respondents who are working at a bank with a code of ethics are more sensitive to the issue of “back-to-back lending” which is one of the major accusations in indictments of SSC. On the other hand, at the same significance level, the issue date of the banks’ code has no impact either on the factors or the independent scenarios. Among the respondents, only 7% claim not to have any idea about the content of the code of ethics issued by the Banks Association of Turkey. 26% had some idea whereas 65% were fully familiar with it. The hypothesis that being knowledgeable about the code of ethics of the Banking Association of Turkey makes a difference is not rejected at 0.5 significance level for scenarios condensed under factors “information misuse and theft”, “bribery”, “subjective decision making”, “spreading negative news” and “not sharing unfavorable information”. This could be related to the fact that 51% of the banks introduced code of ethics during the crises years 2000 and 2001 whereas 17.5% of the banks had code of ethics before 2000 while 15% were prepared in 2002, and 7% in 2003.

The answers demonstrate that 31% of the banks offer ethics training only to the new staff. Ethics training is repeated annually in 20% of the banks, whereas no ethics training is given in 28%. It is statistically accepted at the 0.05 level of significance that the banks with ethics training and the banks with no in-house ethics training differ in allocation of loans to third parties. The managers working in banks providing in-house ethics training are less tolerant of "lending to connected parties" one of the major accusations in indictments of the SSC. Ethics training is important in strengthening managers' ethical framework and developing their self-discipline when making decisions in ethically controversial situations (Sims, 1992).

In the sample, 12% of the respondents believe that the Turkish Banking Law Nr.4389 covers the ethical dimension of the banking issues; 9% believe the issue to be fully covered, whereas 73% think the law only partially covers ethical dilemmas. The belief that the banking law covers ethical dimensions of the banking sector has an impact on only one independent scenario: "the price determination by headquarter".

The impact of the BRSA, the agency responsible for the regulation and supervision of the Turkish banking system is one of the affective dimensions evaluated by the respondents. 81% of the respondents believe the agency, BRSA, to have enhanced the importance of ethical values in the Turkish Banking system. 18% think that the agency has no impact; there is no one who believes the agency to have decreased the importance of ethical values. Those who think BRSA has enhanced the role of ethical values in the banking sector are more sensitive to "bribery", "not sharing unfavorable information with the customer" and "back-to-back lending" factors.

Ferrel and Weaver (1978) point to the importance of social interactions on ethical behavior within the organization. In organizations, managers are perceived as role models (Sims, 1992). Newstrom and Ruch (1975) find managers' ethical beliefs to be similar to beliefs of top management. The present study conveys a similar finding. 93% of the respondents believe that the ethical stand of the major shareholder has full or partial impact on the ethical attitude of top managers. Only 7% of the respondents think major shareholders to have no impact. The responses to the factors and independent scenarios show no difference among the groups at the 0.05 level of significance. However, 87% of the respondents claim their ethics values, overlap fully or mostly with the perceived ethical value of the bank they are working for. Values shared by the organization affect the values of the individual and vice versa (Harris, 1990; Hunt et al., 1989). This view has an impact on “information misuse and theft”, “bribery” and “subjective decision making”. Findings show that the respondents who think their ethical values and the bank’s are not overlapping are less tolerant of the ethical dilemmas mentioned above which may imply more dependent values corresponding to Kohlberg’s developmental theory of moralization (Harris, 1990).

In the present study, it is found that ethics training is important in strengthening managers’ ethical framework and developing their self-discipline when making decisions in ethically controversial situations. The code of ethics of the Banks Association of Turkey and the regulator (BRSA) are perceived to enhance the ethical values in the sector.

4. Conclusion

Legality and morality, illegality and immorality may not completely overlap, allowing a gap for moral free space to shape the distinctive concepts and behaviors in banking community. When the laws are short in creating the right financial incentives, or when the laws regulating the banks are not adequate, bank owners and top managers have incentives to exploit self-interest gains by engaging in high-risk and high return transactions or bypassing legal restrictions. Then, banking behavior becomes ethics-based as well as rules-based. In order to assess ethicality of some banking practices and clarify the effect of demographic and institutional dimensions on bank managers’ ethical judgments, twenty-two hypothetical scenarios that “describe possible misconduct” are developed based on the findings of a pilot study, in-depth interviews and the analysis of the pleas of the public prosecutor of the SSC in the Turkish banking sector. Ethicality and legality in banking transactions was one of the hottest issues in the Turkish business environment during the “restructuring period of the banking sector” in the 2000s. The Turkish banking sector experienced a severe crisis in 2000 and 2001. Twenty-two banks were taken over by the regulatory agency between the period 1997 and 2003, resulting in an economic cost exceeding 50 billion USD.

Bank managers and the major shareholders of taken over banks were accused of violating Turkish Laws and exploitation of legal loopholes.

Vignettes describing ethical dilemmas in the banking environment are initially factor analyzed to identify any underlying dimensions. These dilemmas are found to overlap with the accusations of SSC prosecutors. The impact of the demographic characteristics on the issue of ethicality shows that gender, age, being a parent and the age of the first and second child make a difference in the evaluation of different scenarios. On the other hand, there is no systematic relation between the ethicality and marital status and the number of children. When the impact of educational background and the experience in the sector is analyzed, there seems to be no relation between ethicality and degree, the years spent in the current bank, the number of different banks worked for. The ethical dimension in the bank organization is analyzed by organizational, cognitive and affective dimensions. The sensitivity towards bypassing legal rules in lending increases with the presence of code of ethics and in-house ethics training in a bank. Another interesting result is the presence of a large number of banks (77%) with codes of ethics. However, no systematic relationship between ethicality and "the date the code" is prepared was found. Cognitive dimension covers the perception of managers about the content of the code of ethics issued by BAT as well as the Turkish Banking Law Nr.4389. With respect to the affective dimension, the impact of BRSA, major shareholder's ethical stance and overlap of the managers' and banks ethical values are investigated.

The mean ethics score of the sample is 2.03, indicating that banking is an industry closer to the high ethical side of the scale. A similar tendency is observed in the banks cited as the three most preferred banks to work for and the three banks perceived to be the most ethical. The bank that is perceived to be the most ethical bank is also the bank that is cited as the most preferred bank to work for. The first nine banks cited as the banks most preferred to work for were the same ones as the first nine banks perceived as the most ethical, although not in the same order. High ethical sensitivity in the Turkish banking sector observed in 2003 can be interpreted in two ways. The managers who chose to participate in the survey were those who were initially at higher stages of moral development (Kohlberg, 1969) or banks being learning organizations reacted to the process they experienced during the crisis positively. The regretful experiences may have created a deterrence based value shift in top bank managers. The crises have been an impetus for moving to higher stages of moral development, for developing sensitivity to issues beyond the requirements of the law. However, the possible impact of the selective response bias (Brandt and Slatter, 2003) and the perceived social pressure to give ethically acceptable answers should be kept in mind when generalizing the findings.

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Appendix 1: Banking Sector Ethical Perception Scenarios

Scenario 1:
Set Bank opens a 10 million USD savings account in the overseas Cash Bank. The account is a three-month time deposit with an interest rate of 15%. Cash Bank provides the same amount and with the same maturity as loan to Set Bank's major shareholder at the interest rate of 16% by taking Set Bank's time deposit as collateral. However, Set Bank does not show the collateral on its records.

Definitely unethical procedure					Definitely ethical procedure
_____	_____	_____	_____	_____	_____
1	2	3	4	5	6

Scenario 2:
The major shareholders of both Set Bank and Orman Bank, realizing that they have used credits from their own banks up to the legal limits, provide loans to each other from their own banks with the same interest rates and durations within the framework of banking laws.

Definitely unethical procedure					Definitely ethical procedure
_____	_____	_____	_____	_____	_____
1	2	3	4	5	6

Scenario 3:
Major shareholder Mr. Alp asks Set Bank managers to provide low interest rate loans to those who want to purchase the houses built by Kar Co., which is owned by Mr. Alp also. The interest rate for the loan that is being requested is much lower than the market rates and bank's cost is not taken into any consideration.

Definitely unethical demand					Definitely ethical demand
_____	_____	_____	_____	_____	_____
1	2	3	4	5	6

Scenario 4:
Major shareholder Mr. Alp, after using credits up to the legal limits establishes Serden Company (trading company) in Kayseri in his brother-in-law Mr. Demir's name. However, Serden Co. has no commercial activities. Serden Co. requests credit from Set Bank and the credit committee grants the credit.

Mr. Alp's behavior is Definitely unethical					Mr. Alp's behavior is definitely ethical
_____	_____	_____	_____	_____	_____
1	2	3	4	5	6

The Credit Committee's Commit.'s grant is definitely unethical					grant is definitely ethical
_____	_____	_____	_____	_____	_____
1	2	3	4	5	6

Scenario 5:
Mr. Latif, who works as a retail banking customer representative at Set Bank, finds out that his retired primary school teacher, Mrs. Nilüfer, has deposited her money in Tetebank. Mr. Latif later on tells Nilüfer Hanım that Tetebank is having some financial difficulties. Mrs. Nilüfer withdraws her money from Tetebank right away based on this information and deposits it into Set Bank. In the meantime, she shares the information about Tetebank with her friends.

Mr. Latif's behavior is definitely unethical					Mr.Lati's behavior is definitely ethical
_____	_____	_____	_____	_____	_____
1	2	3	4	5	6

Scenario 6:
Set Bank's major shareholder Mr. Alp has a textile company in Denizli. The company gets 10 million dollar order from Japan. To be able to meet the order Mr. Alp needs 5 million dollars working capital. He has used his credit limits at Set Bank up to the legal limits so he calls his friend Mr. Burak, the owner of Çiçek Co., and asks him to apply for a 5 million dollar credit from Set Bank and to transfer the credit into his account. Mr. Burak applies and receives the credit. The Credit Commission is aware that the loan will be transferred to Mr. Alp.

Mr. Alp's behavior is definitely unethical					Mr. Alp's behavior is definitely ethical
_____	_____	_____	_____	_____	_____
1	2	3	4	5	6

Mr. Burak's demand is definitely unethical					Mr. Burak's demand is definitely ethical
_____	_____	_____	_____	_____	_____
1	2	3	4	5	6

The Credit Committee's transaction is definitely unethical					The Credit Committ.'s trans. is definitely ethical
_____	_____	_____	_____	_____	_____
1	2	3	4	5	6

Scenario 7:
Mr. Şükrü, from the tourism sector, deposits his savings worth the 500 thousand dollars equivalent of Turkish Lira in Set Bank and he is offered an interest rate of 43%. An hour later Mr. Tahsin also deposits the same amount of money in the bank but he is offered an interest rate of 40%. There has been no change in the market conditions in terms of interest rates within the hour that separates these two men's investments.

Definitely unethical transaction					Definitely ethical transaction
_____	_____	_____	_____	_____	_____
1	2	3	4	5	6

Scenario 8:
Major shareholder of Set Bank, Mr. Alp, provides some capital to employees who are working in Set Bank and in his other companies so that they can establish Klas Off-Shore Bank in Cyprus.

Mr. Alp's actions are definitely Unethical					Mr. Alp's actions are definitely ethical
_____	_____	_____	_____	_____	_____
1	2	3	4	5	6

The employees' implementing Mr. Alp's demand is definitely unethical					The empls' implementing Mr. Alp's demand is definitely ethical
_____	_____	_____	_____	_____	_____
1	2	3	4	5	6

Scenario 9:
Mr. Emin, who is working as a retail banking customer representative in Set Bank, advises one of the bank's customers, Mrs. Nilüfer, the retired teacher, that she will get better interest rate for her money if she deposits it in Klas Off-Shore Bank, the bank that was established by Mr. Alp. Mr. Emin does not tell her that the deposits in Klas Off-Shore are not insured by Deposit and Insurance Fund.

Mr. Emin's Behavior is definitely unethical					Mr.Emin's behavior is definitely ethical
_____	_____	_____	_____	_____	_____
1	2	3	4	5	6

Scenario 10:
Set Bank's major shareholder Mr. Alp needs a loan, but he cannot borrow from his own bank because he has reached the upper limit of borrowing stipulated by the Banking Law. The problem is solved by providing Mr. Alp a loan from Klas Off-Shore bank, which is funded with the deposits made by Set Bank's customers.

Definitely unethical transaction					Definitely ethical transaction
_____	_____	_____	_____	_____	_____
1	2	3	4	5	6

Scenario: 11
Mrs. Ayşe, who works at the Retail Banking Department in the Headquarter of Set Bank, gets a better job offer from a competitor bank. Mrs. Ayşe takes all the information about the deposit and loan customers available at the Headquarter of the Bank to her new bank.

Mrs. Ayşe's action is definitely unethical					Mrs. Ayşe's action is definitely ethical
_____	_____	_____	_____	_____	_____
1	2	3	4	5	6

Scenario: 12
Set Bank's General Manager Suat Bey and major shareholder Mr. Alp call Mr. Necmi, who has worked in various positions in the bank and is now one of the branch managers of Set Bank, and ask Mr. Necmi to make an effort and collect deposits to Klas Off-Shore bank. In his effort to raise the amount of deposits, Mr. Necmi forges the signature of his customers and transfers their money to the Off-Shore bank.

The Gn.Mng's and the Major Shareholder's demand is definitely Unethical					The Gn.Mng's and the Major Shareholder's demand is definitely ethical
_____	_____	_____	_____	_____	_____
1	2	3	4	5	6

Mr. Necmi's action is definitely unethical					Mr. Necmi's action is definitely ethical
_____	_____	_____	_____	_____	_____
1	2	3	4	5	6

Scenario: 13
One of the Branch Managers of Set Bank, Mr. Ruşen, gets a better job offer from Niş Bank. In order to better serve his new bank, Mr. Ruşen makes a copy of personal and financial information about the customers of his branch onto a CD and takes it with him.

Mr. Ruşen's action is definitely unethical					Mr. Ruşen's action is definitely ethical
_____	_____	_____	_____	_____	_____
1	2	3	4	5	6

Scenario 14:
Mr. Arif, one of Set Bank's customers who want to buy 500.000 USD, calls the branch he works with and asks about the exchange rate of the USD. The employee in charge at the bank checks the rates from the computer and tells Mr. Arif that he can buy 500,000 USD at the exchange rate of 1,530,000TL. Mr. Arif is ready to go ahead with the transaction when just at that very moment the person in charge sees that Headquarter changed the rate to 1,540,000TL. He tells Mr. Arif that the transaction can only be done at the new rate.

The action of the employee in charge is definitely unethical					The action of the emp. in charge is definitely ethical
_____	_____	_____	_____	_____	_____
1	2	3	4	5	6

Scenario 15:
Set Bank puts an advertisement in the newspapers to recruit new personnel. Numerous candidates apply. At the end of careful scrutiny, the Human Resources Department chooses three of the candidates. At the last moment, the General Manager calls and instructs the Department that they should replace the names on their list with the three new names selected by him.

The General Manager's instructions are definitely unethical					The General Manager's inst. are definitely ethical
_____	_____	_____	_____	_____	_____
1	2	3	4	5	6

Scenario 16:
Set Bank's senior dealer Mr. Cenk quotes 1,550,000 TL as his bank's offer price in the interbank market. After some time banks B, C and D apply to Set Bank to buy dollars at the quoted rate. But just at that moment the dollar rate on the market rises to 1,560,000TL due to some negative news about the economy. Mr. Cenk, who no longer wants to sell at his quoted initial offer rate, tells banks B, C and D that he has already sold the dollar at 1,550,000 to another bank.

Mr. Cenk's action is definitely unethical					Mr. Cenk's action is definitely ethical
_____	_____	_____	_____	_____	_____
1	2	3	4	5	6

Scenario 17:
One of Set Bank's specialists, Ms. Pelin, gives her customer X-Çelik A.Ş. the necessary support in the merger with Baum GmbH, the second largest producer of steel in Europe. A day before the merger, Ms. Pelin sells an important amount of the shares she holds on the stock market and buys X - Çelik A.Ş. shares through a friend.

The transaction is definitely unethical					The transaction is definitely ethical
_____	_____	_____	_____	_____	_____
1	2	3	4	5	6

Scenario 18:
Set Bank gives one of its customers, Ante Co. a loan of one trillion TL floating rate credit with no specific maturity date. After a while, the interest rate goes up to 95% due to the economic crisis in the country. Set Bank asks Ante Co. to either (a) pay back the loan immediately or (b) accept a 156% interest rate.

Set Bank's demand is definitely unethical					Set Bank's demand is definitely ethical
_____	_____	_____	_____	_____	_____
1	2	3	4	5	6

Scenario 19:
When it is time for Mr. Hasan to pay back the five million dollar loan he used from Set Bank, Mr. Hasan bargains with the bank and persuades them to reschedule the payment and interest rate conditions. Later Mr. Hasan visits the director in charge of loans to thank him and tells him that he has made a reservation in one of the most beautiful hotels in Hawaii in director's name. The reservation is for ten days and for two people. After much insistence, the director accepts Mr. Hasan's gift.

Mr. Hasan's action is definitely unethical					Mr. Hasan's action is definitely ethical
_____	_____	_____	_____	_____	_____
1	2	3	4	5	6

The Director's action is definitely unethical					The Direc.'s action is definitely ethical
_____	_____	_____	_____	_____	_____
1	2	3	4	5	6

Scenario 20:
25 million dollars is to be deposited from abroad to be withdrawn as cash in two days time by someone who will be opening an account for the first time in the bank. The depositor agrees to pay the 1% commission for banking services. The employees in charge of the transaction do not question the source of the money and open the account.

The employees' transaction is definitely unethical					The emp.'s transact. is definitely ethical
_____	_____	_____	_____	_____	_____
1	2	3	4	5	6

Scenario 21:

One of the Set Bank branch managers in Anatolia asks for a loan from Mr. Niyazi, one of the most important customers of the bank and a prominent person in the town. He wants the money to make a down payment on a car he has been waiting to buy for a long time.

The branch manager's action is definitely unethical					The branch manager's action is definitely ethical
_____	_____	_____	_____	_____	_____
1	2	3	4	5	6

Scenario 22:
Set Bank is offered land near the Belgrade Forest in Istanbul suitable for a building that will enhance its technological infrastructure. However, the project can only be realized by cutting a large number of trees and thus endangering the natural environment. The Board of Directors decides that the building is necessary for the advancement of the banking service and gives approval for the project.

The decision is definitely unethical					The decision is definitely ethical
_____	_____	_____	_____	_____	_____
1	2	3	4	5	6

Bankacılık Sektörü Etik Algı Senaryoları

Senaryo 1:
Set Bank yurtdışındaki Cash Bank'ta %15 faiz ile 3 ay vadeli 10 milyon dolarlık mevduat hesabı açtırır. Cash Bank Set Bank'ın iştiraklerinden bir firmaya, mevduat olarak yatırılan 10 milyon doların teminat olarak gösterilmesi şartıyla, yıllık %16 faizle 3 ay vadeli nakdi kredi kullandırır. Ancak Set Bank kayıtlarında bu paranın kredi teminatı olarak yatırıldığı görülmemektedir.

Kesinlikle etik dışı bir işlem					Kesinlikle etik bir işlem
______	______	______	______	______	______
1	2	3	4	5	6

Senaryo 2:
Set Bank ve Orman Bank hakim hissedarları kendi bankalarında kredi limitleri dolduğundan, anlaşarak, birbirlerinin hakim hissedar oldukları şirketlere bankacılık usulleri çerçevesinde tutarı, vadesi ve faiz oranı aynı olan nakdi kredi açarlar.

Kesinlikle etik dışı bir işlem					Kesinlikle etik bir işlem
______	______	______	______	______	______
1	2	3	4	5	6

Senaryo 3:
Hakim hissedar Alp Bey, grup Şirketlerinden Kar A.Ş.'nin inşa ettiği Gökyüzü villalarında ev sahibi olmak isteyen müşterilere bankaya maliyeti dikkate almaksızın daha uygun koşullarda kredi verilmesini Set Bank yöneticilerinden talep eder.

Kesinlikle etik dışı bir işlem					Kesinlikle etik bir işlem
______	______	______	______	______	______
1	2	3	4	5	6

Senaryo 4:
Kendi bankasındaki kredi limiti dolan Set Bank hakim hissedarı Alp Bey Kayseri'de kayınbiraderi Demir Bey adına Serden A.Ş.'yi kurar. Ticari açıdan faal olmayan Serden A.Ş. Set Bank'tan kredi talebinde bulunur ve kredi komitesi tarafından kredi tahsisi yapılır.

Alp Bey'in davranışı kesinlikle etik dışı					Alp Bey'in davranışı kesinlikle etik
______	______	______	______	______	______
1	2	3	4	5	6

Kredi Komitesinin işlemi kesinlikle etik dışı etik					Kredi Kom. işlemi kesinlikle etik
____	______	______	______	______	______
1	2	3	4	5	6

Senaryo 5:
İlkokul Öğretmeni Nilufer Hanım'ın emeklilik ikramiyesini Tetebank'a yatırdığını öğrenen eski öğrencisi, Set Bank bireysel bankacılık bölümünde görevli Latif Bey, Tetebank'ın finansal olarak zor bir dönemden geçtiğini Nilüfer öğretmene anlatır. Öğrencisinden edindiği bilgiyi hemen arkadaşları ile de paylaşan Nilüfer Hanım Tetebank'tan parasını çekerek Set Bank'a yatırır.

Latif Bey'in davranışı kesinlikle etik dışı					Latif Bey'in davranışı kesinlikle etik
____	______	______	______	______	______
1	2	3	4	5	6

Senaryo 6:
Set Bank'ın hakim hissedarı Alp Bey'in Denizli'deki şirketi Yumoş A.Ş.'ye Japonya'dan 10 milyon dolarlık tekstil siparişi gelir. Alp Bey ihracatı gerçekleştirmek için ihtiyacı olan 5 milyon doları, kredi limitini aşmış olduğundan, Set Bank'dan alamamaktadır. Alp Bey, Çiçeksu A.Ş.'nin sahibi olan arkadaşı Burak Bey'i arayarak Set Bank'dan 5 milyon dolar kredi talep etmesini ve aldığı krediyi kendisine aktarmasını rica eder. Burak Bey Set Bank'a kredi talebinde bulunur ve kredi tahsis edilir. Kredi Komitesi Burak Bey'in krediyi Alp Bey adına talep ettiği bilgisine sahiptir.

Alp Bey'in davranışı kesinlikle etik dışı					Alp Bey'in davranışı kesinlikle etik
_____	_____	_____	_____	_____	_____
1	2	3	4	5	6

Burak Bey'in talebi kesinlikle etik dışı					BurakBey'in talebi kesinlikle etik
_____	_____	_____	_____	_____	_____
1	2	3	4	5	6

Kredi Komitesinin işlemi kesinlikle etik dışı					Kredi Kom. işlemi kesinlikle etik
____	_____	_____	_____	_____	_____
1	2	3	4	5	6

Senaryo 7:
Turizmci Şükrü Bey 500 bin dolarlık mevduatını Set Bankası'na yatırır ve %43 faiz alır. Aynı miktarı bir saat sonra yatıran Tahsin Bey'e Banka %40 faiz verir. Geçen bir saat içinde piyasa koşullarında hiç bir değişiklik olmamıştır.

Kesinlikle etik dışı bir işlem					Kesinlikle etik bir işlem
_____	_____	_____	_____	_____	_____
1	2	3	4	5	6

Senaryo 8:
Set Bank'ın hakim hissedarı Alp Bey Set Bank'da ve diğer grup şitketlerinde çalışan bazı kişilere sermaye vererek Kıbrıs'ta Klas Off-shore Bank'ı kurdurur.

Alp Bey'in hareketi kesinlikle etik dışı					Alp Bey'in hareketi kesinlikle etik
____	_____	_____	_____	_____	_____
1	2	3	4	5	6

Çalışanların Alp bey'in talebini uygulamaları kesinlikle etik dışı					Çalışanların Alp bey'in talebini uygulamaları kesinlikle etik
_____	_____	_____	_____	_____	_____
1	2	3	4	5	6

Senaryo 9:
Set Bank'da bireysel bankacılık bölümünde çalışan Emin Bey, Banka müşterilerinden emekli öğretmen Nilüfer Hanım'a yatırımlarını, getirisinin daha yüksek olması nedeniyle, Banka hakim hissedarı Alp bey'in kurdurmuş olduğu Klas Off Shore Bank'ta değerlendirmesini tavsiye eder. Emin Bey müşterisine Klas Off Shore Bank'ta mevduat garantisi olmadığından söz etmez.

Emin Bey'in davranışı kesinlikle etik dışı				Emin Bey'in davranışı kesinlikle etik	
_____	_____	_____	_____	_____	_____
1	2	3	4	5	6

Senaryo 10:
Set Bank hakim hissedarı Alp Bey'in krediye ihtiyacı vardır ancak kendi bankasından kullandığı krediler Bankalar Kanunu'nda belirlenen limitin sonuna ulaşmıştır. Sorun Set Bankası müşterilerinin Klas Off-shore Bank'taki mevduatları Alp Bey'e kredi olarak kullandırılarak çözülür.

Kesinlikle etik dışı bir işlem				Kesinlikle etik bir işlem	
_____	_____	_____	_____	_____	_____
1	2	3	4	5	6

Senaryo 11:
Set Bank Genel Müdürlük Bireysel Bankacılık Departmanında çalışan Ayşe Hanım rakip bir bankadan iş teklifi alır. Ayşe Hanım yeni bankasına giderken Set Bank Genel Müdürlük'te biriken mevduat ve kredi müşterilerine ait bilgileri yanında götürür.

Ayşe hn'ın kesinlikle etik dışı				Ayşe hn'ın hareketi hareketi kesinlikle etik	
____	_____	_____	_____	_____	_____
1	2	3	4	5	6

Senaryo 12:
Set Bank Genel Müdürü Suat bey ve hakim hissedar Alp Bey uzun yıllardır Set Bankası'nda çeşitli kademelerinde görev almış olan Şube Müdürü Necmi Bey'i arayarak 'Off-Shore'a mevduat temininde gayret gösterin' der. Necmi Bey istenilen kaynağı yaratabilmek için mudi imzası taklit ederek Klas Off-Shore'a mevduat aktarır.

Genel Md. ve hakim hissedarın talebi kesinlikle etik dışı				Genel Md. ve hakim hissedarın talebi kesinlikle etik	
_____	_____	_____	_____	_____	_____
1	2	3	4	5	6

Necmi bey'in hareketi kesinlikle etik dışı				Necmi bey'in hareketi kesinlikle etik	
____	_____	_____	_____	_____	_____
1	2	3	4	5	6

Senaryo 13:
Set Bank Şube Müdürü Ruşen Bey, yeni kurulan Niş Bank'tan daha iyi koşullarda iş teklifi alır. Yeni bankasına en iyi hizmeti verebilmek amacıyla Şubesi'ndeki müşterilere ait kişisel ve finansal bilgileri bir CD'ye yükleyerek beraberinde götürür.

Ruşen Bey'in hareketi kesinlikle etik dışı				Ruşen Bey'in hareketi kesinlikle etik	
_____	_____	_____	_____	_____	_____
1	2	3	4	5	6

Senaryo 14:
Set Bank müşterilerinden Arif Bey, 500,000 dolar satın almak amacı ile, devamlı olarak çalıştığı banka şubesini telefonla arayarak doların fiyatını sorar. Şubedeki görevli bilgisayarından fiyatları kontrol eder ve 1,530,000 TL'den 500,000 dolar satabileceğini söyler. Telefonda yapılan bu çok kısa pazarlıktan sonra Arif Bey işlemi gerçekleştirmek ister ancak şube elemanı o sırada Genel Müdürlüğün dolar satış fiyatını 1,540,000 TL'e çıkardığını görür ve Arif Bey'e fiyatı 1,540,000TL olarak değiştirmek zorunda olduğunu belirtir.

Şube elemanının hareketi kesinlikle etik dışı				Şube elemanının hareketi kesinlikle etik	
____	____	____	____	____	____
1	2	3	4	5	6

Senaryo 15:
Set Bank, şubelerindeki eleman açığını karşılamak için gazetelere ilan verir. Beklenenin üzerinde başvuru olur. İnsan Kaynakları Departmanı titiz bir çalışma sonucunda en uygun üç adayı belirler. Son anda Genel Müdür arayarak seçilen isimlerin yerine kendi belirledikleri isimlerin alınması direktifini verir.

Gnl.Md.'ün direktifi kesinlikle etik dışı				Gnl. Md.'ün direktifi kesinlikle etik	
____	____	____	____	____	____
1	2	3	4	5	6

Senaryo 16:
Set Bank uzman dealer'ı Cenk Bey bankalararası döviz piyasasında 1,550,000 liradan dolar satmak üzere kotasyon girer. Bir süre sonra B, C ve D bankaları aynı anda kotasyon fiyatından dolar almak üzere Set Bank'ı arar. Bu arada piyasada dolar fiyatı, çıkan olumsuz bir haber üzerine, 1,560,000'a yükselir. Cenk Bey, verdiği kotasyondan satış yapmak istemediğinden B, C ve D bankalarına doları 1,550,000 liradan başka bir bankaya sattığını söyler ve işlem yapmaz.

Kesinlikle etik dışı bir hareket				Kesinlikle etik bir hareket	
____	____	____	____	____	____
1	2	3	4	5	6

Senaryo 17:
Set Bank uzmanlarından Pelin hanım, müşterisi X-Çelik A.Ş.'nin, Avrupanın ikinci büyük çelik üreticisi Baum GmbH ile birleşme sürecinde, müşterisine gerekli desteği verir. Pelin Hanım birleşmenin gerçekleşmesinden bir gün önce elinde bulunan önemli miktardaki diğer hisselerini satarak kendi adına bir arkadaşı vasıtasıyla X-Çelik A.Ş. hisseleri alır.

Kesinlikle etik dışı bir işlem				Kesinlikle etik bir işlem	
____	____	____	____	____	____
1	2	3	4	5	6

Senaryo 18:
Set Bank, Ante AŞ' ye 1 trilyon TL tutarında kredi kullandırır. Kredi kullanım koşullarında değişken faiz kabul edilir (rotatif kredi) ve vade belirtilmez. Bir süre sonra ekonomik kriz patlak verir, ülke genelinde faiz oranları %95'lere yükselir. Set Bank, Ante A.Ş.'nin (a) krediyi hemen geri ödemesini, ya da (b) %156 faiz vermesini talep eder.

Kesinlikle etik dışı bir talep				Kesinlikle etik bir talep	
____	____	____	____	____	____
1	2	3	4	5	6

Senaryo 19:
Hasan Bey'in Set Bank'tan kullanmış olduğu 5 milyon dolarlık kredinin ödeme zamanı geldiğinde, Hasan Bey ödeme koşullarını değiştirebilmek için banka içinde yoğun pazarlıklara girişir ve istediği değişiklik yapılır. Hasan Bey, kredilerden sorumlu müdüre teşekkür için ziyarete gider ve Hawaii adalarının en güzel otellerinden birinde müdür için 10 gün süreyle 2 kişilik rezervasyon yaptırdığını söyler. Hasan Beyin yoğun ısrarı üzerine kredilerden sorumlu müdür hediyeyi kabul eder.

Hasan Bey'in hareketi kesinlikle etik dışı					Hasan Bey'in hareketi kesinlikle etik
____	____	____	____	____	____
1	2	3	4	5	6

Müdür'ün hareketi kesinlikle etik dışı					Müdür'ün hareketi kesinlikle etik
____	____	____	____	____	____
1	2	3	4	5	6

Senaryo 20:
Daha önce müşteri olmayan bir kişinin hesabına yurtdışından 2 gün sonra nakit çekileceği söylenerek 25 milyon dolar yatırılır. Bankacılık hizmetlerine karşılık olan %1 komisyon ödemeyi kabul ederler. Banka yetkilileri paranın kaynağını araştırmadan mevduat hesabı açar ve işlemi yerine getirir.

Banka yetkilisinin işlemi kesinlikle etik dışı bir işlem					Banka yetkilisinin işlemi kesinlikle etik bir işlem
____	____	____	____	____	____
1	2	3	4	5	6

Senaryo 21:
Set Bank'ın Anadolu şubelerinden birinin Müdürü uzun zamandır istediği arabasının peşinatını karşılayabilmek için şehrin eşraflarından ve bankanın en önemli müşterilerinden Niyazi Bey'i arayarak borç ister.

Appendix 2. Table 2. Factor Analysis of the Factors and Independent Scenarios

Scenarios	F-1	F-2	F-3	F-4	F-5	F-6	F-7	F-8	I-1	I-2	I-3	I-4	I-5
Major shareholder providing capital for establishment of an offshore branch	0.868												
Employee accepting major shareholder' demand to establish an offshore branch	0.828												
Major shareholder by- passing legal credit limit restrictions through an offshore branch	0.500												
Fiduciary loan and misreporting		0.595											
Employee insider trading		0.586											
Retail banking director taking the customer database to her new bank		0.844											
Branch manager taking the customer database to his new bank		0.834											
A third party accepting the request for a connected lending			0.839										
Major shareholder requesting connected lending from a third party			0.782										
The credit committee acting not to know and approving a lending to a connected party			0.740										
Major shareholder establishing a fake company to by-pass credit limit restrictions				0.825									
Branch manager's forgery of signature in order to collect deposits for offshore branch				0.799									
The credit committee approving the credit request of the fake company				0.768									
The director in charge of loans accepting the holiday trip offer by a customer					0.815								
The customer offering an holiday trip after rescheduling his loan payment					0.784								
Branch manager requesting personal loan from a local customer					0.698								
The dealer refraining from selling FX at the announced quoted rate because of a rise in rates						0.695							
Bank increasing the interest rate of a floating rate credit with no specific maturity date						0.604							
General manager intervening in the recruitment decisions						0.565							
Bank discriminating customers in interest rates						0.529							
Major shareholder requesting loans with favorable conditions for the customers of his own real estate company						0.506							
Top manager requesting extra effort from the branch manager to collect deposits for the offshore branch							0.806						
An employee warning a customer about the financial risks regarding a bank								0.886					
An employee refraining from informing the customers that deposits in the offshore branch are not covered by the Deposit and Insurance Fund									0.452				
An employee ignoring the money laundering intention of a new customer										0.412			
Back-to-back credit relationship											0.446		
Environmental protection												0.427	
An employee changing the promised price because of the new price announcement by the Headquarter													0.395

[i] **Reliability Coefficients of Dimensions**

Dimension	Number of Cases	Reliability Coefficients (Alphas)
Offshore banking	157	0.77
Information Misuse & Theft	157	0.79
Lending to connected parties	153	0.86
Bypassing legal restrictions	149	0.80
Bribery	151	0.78
Subjective decision making	156	0.60